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MEMORANDUM OF CONVERSATION

September 26, 1955

SUBJECT: British Considerations of the Reduction of
East-West Trade Controls.

PARTICIPANTS: G. Wheeler, C.B., Under Secretary,
Ministry of Defence

H. Gresswell, C.B.E., Assistant Secretary
Ministry of Defence

Allan Edden, Head, Mutual Aid Department
Foreign Office

Admiral W. S. DeLany, Deputy Director
Mutual Defense Assistance Control

Robert W. Barnett, Regional Affairs Office
Department of State

Edwin G. Moline, Acting Deputy to the Minister
for Economic Affairs,
American Embassy, London

The meeting was in response to British initiative for some bilateral discussions of East-West trade matters, taking advantage of the opportunity of the visit to London of Admiral DeLany and Mr. Barnett. This is a summary report of the British views expressed at the meeting.

After initial pleasantries, Mr. Wheeler said that he had particularly wanted an opportunity to talk with responsible U.S. officials regarding East-West trade matters because the British had under review at the present time the question of a modification of the existing lists in the light of the concepts which were now dominating a great deal of the military planning. Prior to the French initiative to call a CG meeting, the British independently had been considering the meaningfulness of the present control lists drawn up as they were initially against the concepts of long-drawn-out warfare of attrition on a global scale. Nowadays, when the military recognized the devastating power of thermo-nuclear weapons and planned in terms of wars of short duration and nearly total destruction of industrial objectives with the initial attack and retaliation, the

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controls aimed at limiting the acquisition of conventional weapons and of preventing the build-up of the industrial base necessary to support a long-drawn-out war on a global scale, seemed to have even less purpose than had previously been the case. Furthermore, when it was the British judgment that the present controls were of very limited marginal importance in terms of weakening the ability of the Soviet Bloc to wage a war with conventional weapons, it was hard to rebut the case that the present control lists were of even less significance against the new concepts.

In addition to this reexamination which the British had under way when the French proposed the CG meeting (which the British found premature because of the stage which their own studies had reached) they were confronted with great domestic pressure both to relax controls generally and to bring China controls down to the level of those applying to the rest of the Soviet Bloc. This pressure was to a large extent Parliamentary pressure reflecting the opinion of the public in several constituencies, motivated both by the public reaction to the better atmosphere following the Geneva talks, reaction to the exhortation of the Government to export more, and the fact that some individual segments of business failed to enjoy the general prosperity of the country.

It was too early to say what changes the British would have to suggest in the control lists, as the matter had not been fully considered by the Ministers. In the meantime, the British would stand upon the tripartite pre-Summit agreement on handling strategic trade controls in negotiations with the U.S.S.R. It was thought, however, that the British would be ready and would wish to talk in more detail with the United States in another three or four weeks about the outcome of their studies. As a general indication of the conclusions towards which they were moving it might be noted that in place of the present criteria for listing items, the British military were, in terms of strictly defense requirements, testing the listing of individual commodities against the consideration of whether their continued control would significantly limit the initial readiness of a potential aggressor to launch an attack with thermo-nuclear weapons or effectively limit the defense of the Soviet Bloc against retaliatory attack of the same sort from the West. Where an item was in the list at present primarily to hamper industrial development useful to the ability of the Bloc to wage conventional war for a long period on a global scale, it would be the British view on the basis of its new concept that such an item should no longer be retained.

The British were asked whether they recognized the possibility of limited localized wars being fought with conventional weapons, say on the Korean pattern, or alternatively the possibility that the threat of thermo-

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nuclear destruction might be mutually regarded as so real as to place such weapons in the category of gas in the last war, leaving the global war to be fought with conventional weapons. They replied that while they recognized such possibilities they did not seem to provide sufficient reasons for maintaining controls over the types of things which might affect Bloc capacity to wage such wars. In the British view, the Soviet Bloc had adequate capacity and stocks of conventional weapons so as to be completely beyond the reach of Western controls, which, on the most optimistic appraisal, had had almost no effect on the Soviet's military capacity. Some British opinion held this view so strongly that it felt there was no reason why conventional weapons should be controlled. Nonetheless, the British would not propose, in implementation of their new concept, to remove conventional weapons from the list, or machinery so specialized as to be useful only for producing such weapons or ammunition, or items incorporating advanced military know-how.

In response to another question, the British said they were prepared, as indicated above, to hold to the tripartite position previously agreed in July with regard to the present East-West trade controls for the Foreign Ministers' talk in Geneva. Even if they had not wished to do so, they would not have been in a position to advance their new ideas by the time of that meeting.

Mr. Wheeler spoke briefly to the point of the British dissatisfaction with the differential between the China controls and those applying to Eastern Europe. The sum total of the British presentation on this question was to convey the impression that they took for granted the eventual establishment of one list applicable to the entire Bloc. In making their presentation on the point, however, they stressed the impossibility of their continuing to maintain in Parliament that there was any logic in keeping differentials when the items on the Chinese list could be obtained through Eastern Europe if they were essential to the Chinese economy, and be acquired at an additional cost which was of little real significance so far as its impeding Chinese industrial development or military potential was concerned. The British contended that many of the differential items were of a kind which were thought to be immediately useful in the prosecution of the Korean War, but this excuse was no longer valid since the hot war had been concluded in the Far East. They argued further that perpetuation of the system merely drove the Chinese more closely into the arms of the Russians.

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Mr. Barnett made a closely reasoned presentation of the U.S. view on the need to maintain both the European controls and the Chinese differential. He stressed in particular that the Chinese evidently found the differentials extremely distasteful and were anxious to have the trade controls removed. This important factor, in addition to the real, though perhaps marginal, economic effects, was something that should be regarded as a valuable bargaining asset. The voluntary, multi-lateral, differential controls now applied should not be abandoned prematurely when they might figure as a substantial factor in negotiating an improvement in the situation between China and the West. Attached hereto is a summary prepared by Mr. Barnett of the argument he developed. Messrs. Wheeler, Gresswell, and Edden remarked that they had found the statement of justification for the U.S. attitude very illuminating, and intimated that full account would be taken of it in presenting their recommendations to the Ministers.

It remained the British contention, however, that the strategic controls applicable to China might be modified without doing violence to the UN Resolution branding China as an aggressor. They suggested that they were quite prepared to make such a change after discussion with the other nations maintaining the multilateral controls. They mentioned in particular that an additional element in their thinking was their belief that the controls are disintegrating in any case and had better be modified in an orderly fashion for some logical reason than to be brought into disrepute by constant questions and wholesale modifications.

On the specific question of a date for the CG meeting, the British thought it would be agreeable to aim for a period ten days or two weeks after the end of the Foreign Ministers' meeting but not earlier than the first week of December. The British would have prepared their own views by that time but thought that such a schedule would press a bit tightly if there were to be a full-scale exchange of views with the US and French prior to the meeting. They specifically said that they expected to talk informally with the French prior to the scheduled October 3 trilaterals in Paris conveying to them points that they had put before us.

In concluding the discussion, the British said that they had particularly wished to have it understood by the United States that they not only envisaged one list applicable to the entire Communist World, which was clearly one Bloc, but they also contemplated a reduction in the European

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control list. This had been an important consideration in their unwillingness to discuss China controls in line with the French proposal for a CG meeting, when they might later and within a short period have been coming back with a proposal for a further reduction of the unified list. In response to a question as to whether it would now be the British view that an agreement should be sought on a reduction of the European list and then a reduction of the China controls to the new European level, or whether they contemplated an immediate reduction of the present China controls to the present European levels while the new British concept was being discussed, Mr. Wheeler indicated the British intended now to take the latter approach.

Attachment A-Summary of US Argumentation in US-UK
Bilaterals on East-West Trade

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ATTACHMENT ASUMMARY OF U.S. ARGUMENTATION IN US-UK BILATERALS ON EAST-WEST TRADE*Not pertinent to nuclear warfare*

London, September 26, 1955

1. The UK and the US should, if possible, agree that the CG should not be called into session until the first week in December or ten days after adjournment of the Foreign Ministers Meeting, whichever were the later date. This would permit taking into account not only the Geneva discussions of Exports but also progress, if any, in the Chinese-US Ambassadorial talks. The British, ad referendum, accepted this suggestion.

2. The US-UK-France should continue to be bound by the July Trilateral Agreements on handling of East-West Trade problems with the USSR. This agreement, in brief, was that there should be no retreat from the security trade control system except in return for substantial Soviet concessions in other fields, e.g. disarmament and security. The British stated that it was their understanding that that position was unchanged, so far as the negotiating requirements of the quadrilateral discussions at Geneva were concerned.

3. As to elimination of the so-called China differential, our spokesmen said that the US could not accept the UK conclusion that it was timely or desirable to do this. In outline our arguments were:

a. The UN has named Communist China an aggressor and adopted a resolution calling for a selective embargo. Neither action has been rescinded. We have, therefore, a legal obligation to treat Communist China differently from the rest of the Soviet Bloc.

b. The British, and some other Europeans, tend to regard Chinese Communist aggression as over. The Korean armistice violations, the arms and air build-up opposite Formosa, and Chinese aid to Vietnam do not reassure us as to abandonment of Chinese Communist aggressive intentions.

c. The British tend to regard the China embargo as economically and militarily ineffective. We can admit that the economic and military impact of controls is not such as to deprive China of war-making capacity, and still regard the controls as of vital importance. Communist China dislikes the inconvenience they create. It resents intensely their symbolic significance: the controls are a tangible indication that a large group of countries agree to treat China as a pariah in the family of nations. Continuation of this affront to their amour propre constitutes an effective form of pressure.

d. The United States bears a military lead, on behalf of the Free World, of primary importance in defense of its security in the Pacific area. Our views as to the security requirements of the area should be accorded special respect by countries bearing less or no military responsibilities in the area. We regard perpetuation of differential controls as essential for security reasons. And to those who disagree with this judgment and desire

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desire a relaxation of tensions between the United States and China, we say that the most promising means for relaxation or elimination of those tensions is continuation of the bilateral Ambassadorial talks in Geneva. We believe that the minor concessions being made by the Chinese Communists have been the result of Free World firmness and pressure. To lessen the firmness and relax the pressure prematurely might well frustrate the prolonged and painstaking attempt now being made to move toward understandings and arrangements which might diminish the danger of Chinese Communist resort to force. Europe would have much to lose from a failure of the US-Communist Chinese talks which could result from a Chinese belief that it can divide the West without meeting US terms.

e. The foregoing observations do not depend upon an assessment of the present temper of public and Congressional opinion in the United States. The British need not be told that our Congress has been uncompromising, hitherto, in its rejection of proposals to treat Communist China even on the same basis that we treat the USSR.

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September 29, 1955

DRAFT SUMMARY REPORT ON SENIOR ECONOMIC OFFICERS CONFERENCE
(W. S. DeLany)

At the Paris Conference of Senior Economic Officers in Europe, East-West trade had one hour on the agenda, Wednesday, 21 September.

I presented the attached paper, followed by Walstrom's presentation, attached. Mr. Waugh, in the chair, asked for comment or any statement the country representations present desired to make on Walstrom's appraisal of national attitudes as reflected in COCOM. There were no comments. Brown (U.K.) questioned the cost ratio staff paper (SS-1) as relates to the strategic evaluation of items. I invited his attention to the fact that the concept was based on the effect of the over-all economy of the Bloc and on his further questioning, I stated I did not accept the cost ratio concept as an added criterion because in my opinion it smacked of economic warfare, and was not negotiable.

Regarding the bilaterals with the U.K., which took place in London on September 26, Moline, Barnett and myself met with Wheeler and Gresswell of Defense and Edden of the Foreign Office. The discussion opened by my stating that we would appreciate the present thinking of the U.K. representatives towards trade controls, especially China. Wheeler began his presentation by stating that U.K. present thinking was towards a COCOM list of items pointed towards security requirements of the West in a global war with nuclear weapons. When questioned if limited wars with conventional weapons need not be equally considered, U.K. voiced the opinion that the bloc was practically self-sufficient in that respect. U.K. stated they were working

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in Defense towards the formulation of such a list, and anticipated readiness in about one month. U.K. gave no indication of list control - except to say they would attempt item justification.

Regarding the timing of the forthcoming CG -- U.K. agreed to a meeting not earlier than first week in December or at least ten days after the end of the Foreign Ministers Meeting, whichever was later.

Regarding China controls Barnett presented the U.S. point of view on the necessity for holding to the present level. (Notes attached were prepared by Mr. Walstrom immediately following meeting.) Mr. Barnett emphasized the U.S. responsibility in the China area and the necessity for the retention of a unified effort in the support of that position and stated that the U.S. at this time had no room for maneuvering on China controls and that the possibility of flexibility is related to a change in circumstances which might result if a firm line could be held during the Geneva talks between the U.S. and Chinese Ambassadors.

U.K. had previous to this indicated little interest in the CHINCOM list. They, however, did appear to react to the U.S. presentation and expressed an appreciation of the U.S. position. The Foreign Office representative stated that they did not agree with the U.S. position of force or threat towards China as a means of winning any change in Chinese attitude. Nevertheless, they supported the U.S. position in the U.N. this year on the recognition issue. They were not clear as to what this might mean for their attitude towards the U.S. position as relates to trade controls.

U.K. expressed the desire to come to a single list of controls contending that China and USSR are one group and should have the same treatment on trade.

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They did not agree that there could be a differential as relates to the potential of each in limited wars with conventional weapons.

It was evident to me that as a result of the meeting in Paris, and the U.K. bilaterals, that unless there is a change in attitude as relates to China controls on the part of most PCs, we will be unable to sell the retention of the present level of controls to China, and find it difficult to get an agreement for any differential between COCOM and CHINCOM controls. So far as the COCOM controls themselves, I would evaluate the U.K. intent to be the proposal of a common list applicable to the Bloc as a whole, and controlling only such items as would contribute to the Bloc's ability to wage a global war with nuclear weapons.

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